

## Message Text

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SUBJ: 21ST UNDP GOVERNING COUNCIL: DECISION ON FINANCIAL  
RESOURCES -- AGENDA ITEM 9(A) AND 17

1. SUMMARY. ON JANUARY 30 THE UNDP GOVERNING COUNCIL  
ADOPTED A LENGTHY DECISION ON ACTION TO OVERCOME THE  
PROGRAM'S CURRENT FINANCIAL PROBLEMS. THE DECISION,  
WHICH IS NOTABLE FOR THE LACK OF IDEOLOGY IN ITS LANGUAGE  
(NO REFERENCES TO NIEO, CERDS, ETC.), TAKES A TOUGH,  
MANAGEMENT-ORIENTED APPROACH IN DEALING WITH UNDP'S  
LIQUIDITY DIFFICULTIES. HOPEFULLY THIS DECISION WILL  
ENABLE NEWLY-APPOINTED UNDP ADMINISTRATOR BRADFORD MORSE  
TO PUT THE PROGRAM BACK ON A FIRM AND ENDURING FINANCIAL  
FOOTING. END SUMMARY.

2. THREE WEEKS OF GOVERNING COUNCIL DISCUSSIONS OF UNDP'S  
FINANCIAL DIFFICULTIES CULMINATED JANUARY 30 IN APPROVAL  
OF A LENGTHY, DETAILED DECISION FOR DEALING WITH THE  
PROGRAM'S LIQUIDITY CRUNCH. THE DISCUSSIONS, ON BOTH THE  
LONG-TERM (AGENDA ITEM 17) AND SHORT TERM (AGENDA ITEM 9(A))  
ASPECTS OF THE FINANCIAL SITUATION, MOVED FROM THE  
BUDGETARY AND FINANCE COMMITTEE, TO THE PLENARY, TO  
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A WORKING GROUP, AND BACK TO PLENARY. EVENTUALLY ITEMS

9(A) AND 17 WERE COMBINED FOR ONE DECISION WHICH WAS HAMMERED OUT IN A WEEK OF NEGOTIATIONS AT THE WORKING GROUP LEVEL.

3. IN THESE NEGOTIATIONS THE EMPHASIS OF THE DEVELOPING COUNTRIES WAS ON PROTECTING PROJECT PLANS AND MAINTAINING THE ORIGINALLY APPROVED FUNDING ALLOCATIONS FOR COUNTRIES (IPF'S) FOR 1976 BY AND LARGE INCREASED VOLUNTARY CONTRIBUTIONS WERE SEEN BY THESE MEMBERS AS THE ELIXIR FOR UNDP'S FINANCIAL ILLS AND THESE CONCEPTS WERE STRESSED IN A PROPOSED DECISION CIRCULATED BY DEVELOPING COUNTRIES. DEVELOPED COUNTRIES, ON THE OTHER HAND, TOOK FIRST AIM AT ARREARAGES, RESTRICTED CURRENCIES CONTRIBUTED BY THE SOCIALIST COUNTRIES AND INCREASED FINANCIAL SUPPORT (INCLUDING MOVEMENT TO NON-CONTRIBUTOR STATUS) FROM THOSE COUNTRIES ABLE TO DO SO. THE UNITED STATES CIRCULATED A DRAFT DECISION EMPHASIZING THESE CONCEPTS. VIRTUALLY ALL DELEGATIONS CALLED FOR SHARP CURTAILMENT IN UNDP ADMINISTRATIVE EXPENDITURES.

4. A WORKING GROUP HEADED BY COUNCIL VICE-PRESIDENT HEDEMANN (NORWAY) WAS GIVEN THE JOB OF MELDING THE PROPOSALS PUT FORWARD BY THE UNITED STATES AND THE DEVELOPING COUNTRIES AS WELL AS BRIEFER WRITTEN PROPOSALS CIRCULATED BY THE NETHERLANDS AND THE UK. THIS TASK WAS MADE EASIER BY THE FACT THAT, BY AND LARGE, ALL PROPOSALS WERE COMPLEMENTARY. THE GROUP'S WORK WAS CHARACTERIZED BY COOPERATION AND GOODWILL WITH VIRTUALLY NO FRACTIONALIZATION, EXCEPT WITHIN THE GROUP OF 77. EARLY IN THE GOVERNING COUNCIL SESSION THE INDIAN DELEGATION DISASSOCIATED ITSELF FROM A DRAFT DECISION CIRCULATED BY THE SELF-DESIGNATED GROUP OF 77, CHAIRMAN (FLEMING, ARGENTINA), AND THEN CIRCULATED ITS OWN PROPOSAL. THIS LED TO TWO DRAFT DECISIONS FROM THE THIRD WORLD, ONE BY "A GROUP OF DEVELOPING COUNTRIES" AND ONE BY INDIA, FLOATING ABOUT AND FACING DELEGATIONS ON THE GREEN VELVET. THE INDIAN DRAFT EVENTUALLY WITHERED.

5. HIGHLIGHTS OF THE DECISION ARRIVED AT BY THE WORKING GROUP AND APPROVED BY THE GOVERNING COUNCIL JANUARY 30 LIMITED OFFICIAL USE

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WERE:

A) CONTRIBUTION. GOVERNMENTS WERE APPEALED TO MAKE ADDITIONAL CONTRIBUTIONS TO UNDP IN 1976 AND TO PAY ALL PLEDGES EARLY IN THE YEAR.

B) ARREARAGES. GOVERNMENTS WERE FURTHER URGED "TO PAY ALL PAST DUE AMOUNTS ON VOLUNTARY CONTRIBUTIONS, ASSESSED

PROGRAMME COSTS, GOVERNMENT CASH COUNTERPART AND PAYMENTS UNDER THE COST SHARING OR COST REIMBURSABLE ARRANGEMENTS." THE ADMINISTRATOR WAS REQUESTED TO MAKE MAXIMUM EFFORTS TO OBTAIN THESE PAYMENTS BY 15 APRIL 1976 AND TO REPORT ON THE RESULTS OF HIS EFFORTS TO THE TWENTY-SECOND SESSION (JUNE 1976) OF THE GOVERNING COUNCIL.

C) "DIFFICULT" NON-CONVERTIBLE CURRENCIES. THE DECISION ADOPTED CONTAINS THREE PARAGRAPHS (17, 18, 19) DESIGNED TO ASSIST THE ADMINISTRATOR IN NEGOTIATING WITH THE SOVIETS AND OTHERS ON QUESTION OF ACCUMULATIONS OF "DIFFICULT" CURRENCIES. AFTER INITIAL PUBLIC BLUSTERING IN DEFENSE OF THE RUBLE (USUN 129 AND USUN 262), THE SOVIETS AGREED IN CORRIDOR DISCUSSIONS TO LANGUAGE WHICH, WITHOUT SPECIFIC REFERENCE TO RUBLES, CLEARLY SADDLES THEM WITH A MEASURE OF RESPONSIBILITY TO CLOSE OUT ACCUMULATIONS BY CONVERSION OR UTILIZATION. (WE UNDERSTAND THAT EARLY IN THE SESSION, THE USSR DELEGATION INSTRUCTED THE ADMINISTRATOR HENCEFORTH TO RETURN TO THE PRACTICE OF PAYING 25 PERCENT OF THE BASE SALARY OF SOVIETS EXPERTS IN RUBLES).

D) OPERATIONAL RESERVE. REPLENISHMENT OF THIS RESERVE AT THE \$150 MILLION LEVEL -- BUT ON A FUNDED AND FULLY LIQUID BASIS -- WAS RECOMMENDED.

E) BORROWING AUTHORITY. THE ADMINISTRATOR WAS INVITED TO SUBMIT A DETAILED REPORT TO THE TWENTY-SECOND GC ON THIS SUBJECT. IT WAS GENERALLY RECOGNIZED THAT IN ANY EVENT, NO ACTION COULD TAKE PLACE ON THIS QUESTION UNTIL, AT EARLIEST, THE NEXT UN GENERAL ASSEMBLY (SEPTEMBER 1976).

F) CONTROL OF EXPENDITURES. THE ADMINISTRATOR'S PLANS FOR CURTAILING PROGRAM EXPENDITURES WERE ACQUIESCED LIMITED OFFICIAL USE

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IN BY THE DEVELOPING COUNTRIES, ALONG WITH A 1976 EXPENDITURE LEVEL OF \$370 MILLION. (NOTE: IN ADMINISTRATOR MORSE'S CONCLUDING ADDRESS ON FEBRUARY 3, HE REFERRED TO \$370 MILLION AS DESIRABLE MINIMUM LEVEL OF TOTAL PROGRAM EXPENDITURES IN 1976. SINCE DP/155 INCLUDES AN ADDITIONAL \$12.5 MILLION FOR THE LEAST DEVELOPED COUNTRIES, I.E. A MINIMUM OF \$382.5 MILLION, MORSE, BY LUMPING THE \$12.5 WITHIN THE \$370 MILLION TOTAL, IS ADOPTING AN EVEN MORE CAUTIOUS APPROACH TO EXPENDITURES IN 1976 THAN HIS PREDECESSOR.)

8. FULL TEXT OF DECISION BEING POUCHED.  
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